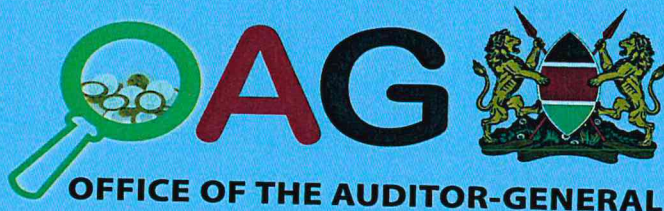



REPUBLIC OF KENYA



Enhancing Accountability

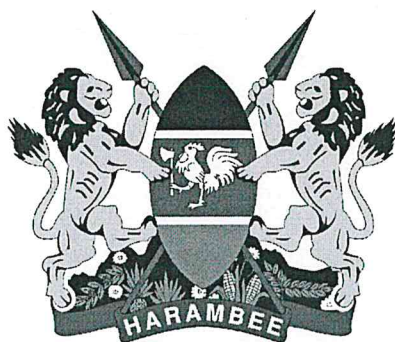
REPORT

OF

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|  THE AUDITOR-GENERAL THE NATIONAL ASSEMBLY PAPERS LAID | |
| DATE: 02 FEB 2022 | DAY: Wed |
| TABLED BY: LDM | ON |
| CLERK-AT-THE-TABLE: Rev Petal Karanu | |

VETERINARY SERVICES DEVELOPMENT FUND

FOR THE YEAR ENDED
30 JUNE, 2021



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

24 DEC 2021

RECEIVED

**MINISTRY OF AGRICULTURE, LIVESTOCK, FISHERIES, AND
COOPARETIVES**

**STATE DEPARTMENT FOR LIVESTOCK,
VETERINARY SERVICES DEVELOPMENT FUND (VSDF)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021**

**Prepared in accordance with the Accrual Basis of Accounting Method under the International
Public Sector Accounting Standards (IPSAS)**

**Veterinary Services Development Fund
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

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**Veterinary Services Development Fund
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For the year ended June 30, 2021.**

1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The VSDF was created under the Exchequer and Audit Act Cap 412 through Legal Notice No. 109 of May 1996 with the Permanent Secretary in charge of the Ministry of Livestock being the accounting officer. An amount of K£1,000 was appropriated by Parliament and was provided during the 1996/97 Financial year.

(b) Principal Activities

The VSDF is run under the State Department of Livestock at Kabete with a major aim of preventing and controlling animal diseases and pests to safeguard human health, improve animal welfare, increase livestock productivity, ensure high quality livestock and their products and facilitate domestic and international trade. It also hopes to provide and facilitate efficient veterinary services for production of safe and high quality animals, animal products and by-products and promote trade and industrial growth in a sustainable environment.

In general, more than profit motive, it is driven by need to serve the general public by ensuring consumption of safe animal products in a hygienic environment while keeping and maintaining health animal in an effort to achieve self-sustainability and promotion of both internal and external trade in animal products.

(c) Key Management

The Veterinary Services Development Fund day-to-day management is under the following key organs:

| | |
|--------------------------------|------------------------|
| - Principal Secretary; | -Mr. Harry Kimtai |
| - Director Veterinary Services | -Dr. Obadiah Njagi PhD |
| - Fund Manager | -Dr. Peter Mungathia |
| - Accountant | -CPA Joseph Kiraita |
| - Finance Officer | -Patrick Ngicuru |
| - Procurement Officer | -Kelvin Ndiuki |

**Veterinary Services Development Fund
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For the year ended June 30, 2021.**

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

| No. | Designation | Name |
|-----|------------------------------|-----------------------|
| 1. | Principal Secretary | Mr. Harry Kimtai |
| 2. | Director Veterinary Services | Dr. Obadiah Njagi PhD |
| 3. | Fund Manager | Dr. Peter Mungathia |
| 4 | Accountant | CPA Joseph Kiraita |
| 5 | Finance officer | Patrick Ngicuru |
| 6 | Procurement officer | Kelvin Ndiuki |

(e) Fiduciary Oversight Arrangements

Veterinary Services Development Fund (VSDF) operates under the VSDF Steering Committee only.

(f) Entity Headquarters

Private Bag Kangemi 00625
VetLabsKabete
OffWaiyaki Way
Nairobi, Kenya
Tel: 020-8043441
E-mail: infodvs@kilimo.go.ke

(g) Entity Contacts

Private Bag Kangemi 00625
VetLabs Kabete
Off Waiyaki Way
Nairobi, Kenya
Tel: 020-8043441
E-mail: infodvs@kilimo.go.ke

Veterinary Services Development Fund
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For the year ended June 30, 2021.

(h) Entity Bankers

Kenya Commercial Bank
Sarit Centre Branch
P.O. Box 14959
Westlands 00800
Nairobi, Kenya

(i) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200




Veterinary Services Development Fund
Annual Reports and Financial Statements
For the year ended June 30, 2021.




2. STEERING COMMITTEE MEMBERS.

| Ref | COMMITTEE MEMBERS | Details |
|-----|---|--|
| 1. |  Mr. Jonam Kinama | Director of Administration State Department of Livestock; Ministry of Agriculture, Livestock, Fisheries and Irrigation. |
| 2. |  Dr. Obadiah Njagi, PhD | Born on 12 th December, 1963, Dr. Obadiah N. Njagi is the current Director of Veterinary Services. He has served in the Directorate of veterinary services for over 30 years since graduating with a bachelor's degree in Veterinary Medicine in 1988. He holds a Master's Degree in Veterinary Pathology and a PhD in Veterinary Immunology. |
| 3. |  Dr. Julia Kinyua | BVM (UoN), MSc (UoN). Deputy Director of Veterinary Services State Department of Livestock; Ministry of Agriculture, Livestock, Fisheries and Irrigation. |
| 4. |  Dr. Peter Mung'athia | BVM (UoN), VSDF (Fund) Manager Deputy Director of Veterinary Services State Department of Livestock; Ministry of Agriculture, Livestock, Fisheries and Irrigation. |
| 5. |  Norah Kandie | BSc (UoN) Deputy Director – Leather development State Department of Livestock; Ministry of Agriculture, Livestock, Fisheries and Irrigation. |

Veterinary Services Development Fund
Annual Reports and Financial Statements
For the year ended June 30, 2021.

| | | |
|----|---|--|
| 6. |  CPA Kiraita Joseph Mwangi. | Deputy Accountant General ,CPA(K), head of accounts, State Department of Livestock; Ministry of Agriculture, Livestock, Fisheries and Irrigation |
|----|---|--|

3. MANAGEMENT TEAM

| Ref | Management | Details |
|-----|---|---|
| 1. |  Dr. Obadiah Njagi, PhD | Director of Veterinary Services He is the cheque signatory to the fund and also payments Approver. |
| 2. |  Dr. Peter Mungathia | VSDF (Fund) Manager Deputy Director of Veterinary Services and signatory to the fund |
| 3. |  CPA Kiraita Joseph Mwangi. | Deputy Accountant General and the head of accounts unit State Department for Livestock. He is the cheque signatory. |

**Veterinary Services Development Fund
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

4. CHAIRMAN'S STATEMENT

The Accounting officer who is the Fund Administrator has the responsibility of appointing the steering committee which is under the control of the chairman.

The Chairman provides leadership and governance of the Fund and creates conditions for overall committee and individual member's effectiveness by ensuring that all key and appropriate issues are discussed by the committee in a timely manner. The chairman ensures that the committee plays a full and constructive part in the development and determination of the Fund's strategies and policies. He also ensures that the Fund is supplied with timely and sufficient information to enable it discharges its duties effectively.

Some of the key Fund's achievements during the financial year under review included the following:

- Preparation of the FY 2020/2021 Annual Budget and Work plan and presenting it to the steering committee for discussion and further forwarding to the National Treasury for Approval.
- Approved and continually monitored the implementation of the Fund's annual operating Plans and Budget;
- Implemented strict Revenue Collection measures which necessitated correction of the same to a tune of over Kenya shillings Ninety Million against the set target of Kshs. 80,000,000
- Facilitated procurement of goods and services for provision of national veterinary services

Sign.....

Mr. Jonam Kinama
VSDF Steering Committee Chair.

Date.....

5. STATEMENT OF VETERINARY SERVICES DEVELOPMENT FUND PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

The mandate of the VSDF is to provide funds for the development and delivery of veterinary services

The vision for the VSDF is to be the most efficient and formidable Fund to steer delivery of quality veterinary services.

The Mission of the Fund is to raise revenues for efficient and sustainable delivery of veterinary services.

Directorate specific objectives

- a) Development and review of national policies for the animal resource industry.
- b) Disease investigation, surveillance, diagnosis, reporting and notification.
- c) Sanitary control for imports and exports of animals, animal products, feedstuffs and veterinary products.
- d) Management of ports of entry veterinary services.
- e) Export and import quality control, inspection and certification of animals, animal products, feedstuffs and veterinary products.
- f) Development of national disease management strategies and trans-boundary animal disease control programmes.
- g) The World Trade Organization (WTO) enquiry point on animal health measures.
- h) Integration of regional and international animal health measures, inputs and standards under agreements, conventions and treaties ratified by Kenya. Such treaties include the EAC treaty, COMESA treaty, the WTO Agreement on Sanitary and Phytosanitary Standards, the OIE treaty and the Codex Alimentarius Commission standards.
- i) Development and review of national animal disaster management strategies.
- j) Capacity building and technical assistance to counties.
- k) National Veterinary Service providers shall collaborate with the Kenya Fisheries Service and Kenya Wildlife Service in matters of fish and wildlife health respectively.
- l) National Veterinary Service providers shall collaborate with the Ministry responsible for health services in matters of zoonoses and the 'One Health approach'.

**Veterinary Services Development Fund
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

ACHIEMENTS WITHIN THE FINANCIAL YEAR

During this financial year, the Directorate of Veterinary Services continued to provide accessible and effective veterinary services for production of safe and high quality animal and animal products in a sustainable environment while promoting trade, industrial growth and food security for Kenya. The Directorate continued to enhance consultation and cooperation as the basis of mutual relations between national and county governments in the delivery of veterinary services.

The following activities were carried out;

- Development and review of national policies and strategies which included development of leather development strategy, Development of animal genetics trade standards, and Development of key bills;- Animal Health bill, Animal Welfare and Protection bill and Veterinary Public Health bill.
- Facilitation of domestic and international trade in livestock and livestock products.
- Monitoring and evaluation of revenue collection in Veterinary Investigation Laboratories(VILs), Veterinary Farms and at Export Slaughter houses.
- Disease and pest surveillance undertaken in Kenya in sentinel herds and apiaries
- Capacity building of stakeholders in the disease control strategies, veterinary public health, animal breeding and value addition of hides and skins.
- Enhancement of food safety through inspection and licensing of premises processing food of animal origin.
- Laboratory test to support disease detection, Antimicrobial resistance surveillance and residues detection in animal products commodity trade.

**Veterinary Services Development Fund
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

6. REPORT OF THE FUND ADMINISTRATOR.

The Accounting officer who is the Fund Administrator Responsibilities' are clearly articulated as per the Legal Notice No. 109 of the Exchequer and audit Act Cap. 412. He is the officer charged with the responsibility of administering the Fund with the following duties: -

- Supervise and control the administration of the fund.
- Consult with the Cabinet Secretary for the time being responsible for matters relating to Veterinary services as May from time be required.
- If he thinks Fit impose Conditions on the use of any Expenditure Authorized by him or on his behalf and may impose any responsible Prohibition, Restriction or other Requirement Concerning such use of Expenditure.
- Cause to be kept all proper Books of Accounts and other Books and Records relating to the Fund and to all the various Activities and undertakings Financed by the Fund.
- Prepare, sign and transmit to the Auditor-General, in respect of each Financial year and within four months after the fund in such form as the treasury may from time to time direct in accordance with section 18 (2) of the Act.

The Fund Administrator accept responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Legal Notice No. 109 of the Exchequer and audit Act Cap. 412. The Fund Administrator is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date. The Fund Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Management to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Sign.....

Mr. Harry Kimtai
Accounting Officer

Date.....

**Veterinary Services Development Fund
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

7. CORPORATE GOVERNANCE STATEMENT

The Veterinary Services Development Fund is under the Management of a steering committee appointed by the fund Administrator who is the Principal Secretary and has the role of Overseeing the approval and review of all overall strategies for the utilization of the fund, initiate policy, legal review and VSDF management structure. The steering committee is composed of the following:

i. Principal Secretary.

The Principal Secretary or his Representative is the fund administrator and the Chair to the steering committee. He can attend in person or can appoint his representative. During the financial ended the PS representative was Mr. Joseph Kinama

ii. Director Veterinary Services/His Representative

The Director Veterinary Services is a member to the committee. He can attend in person or can appoint his representative. Dr. Obadiah Njagi, PhD, was the DVS during the year.

iii. VSDF Manager

The VSDF Manager is the Secretary to the fund and is responsible for the day to day operations of the fund on behalf of the DVS. During the year under review Dr. Evans Peter Mungathia was the VSDF Manager in charge.

iv. Head Accounting Unit

The Head Accounting Unit is a member to the committee. Joseph Mwangi Kiraita represented the Head Accounting Unit for the year under review.

v. Head Veterinary Public Health & Animal Products

Head Veterinary Public Health & Animal Products Unit is a member to the committee. Dr. Julia Kinyua represented the Head Veterinary Public Health & Animal Products Unit for the year under review.

vi. Head Leather Development

Head Leather Development Unit is a member to the committee. Norah Kandie represented the Head Leather Development Unit for the year under review.

Steering Committee meetings

The Steering Committee meets at least once every quarter depending on the exigencies of the business. During the FY 2020/2021, one steering committee meeting was held.

**Veterinary Services Development Fund
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

8. REPORT OF THE VSDF FUND MANAGER.

The Steering Committee submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Veterinary Services Development Fund affairs.

i) Principal activities

The principal activities of the Veterinary Services Development Fund are and continue to be prevention and control of animal diseases and pests to safeguard human health, improve animal welfare, increase livestock productivity, ensure high quality livestock and their products and facilitate domestic and international trade. It also hopes to provide and facilitate efficient veterinary services for production of safe and high quality animals, animal products and by-products and promote trade and industrial growth in a sustainable environment.

In general, more that profit motive, it is driven by need to serve the general public by ensuring consumption of safe animal products in a hygienic environment while keeping and maintaining health animal in an effort to achieve self-sustainability and promotion of both internal and external trade in animal products.

ii) Results

The results of the entity for the year ended June 30, 2021, are set out on pages 1-4.

iii) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. There was no any remittance made by the fund to the Consolidated Fund.

iv) Auditors

The Auditor General is responsible for the statutory audit of the Veterinary Services Development Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

Sign.....

Dr. Peter Mung'athia
VSDF Fund Manager.

Date.....

**Veterinary Services Development Fund
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

9. STATEMENT OF MANagements' RESPONSIBILITIES

The Management's Responsibilities are clearly articulated as per the Legal Notice No. 109 of the Exchequer and audit Act Cap. 412. He is the officer charged with the responsibility of administering the Fund with the following duties: -

- Supervise and control the administration of the fund.
- Consult with the Cabinet Secretary for the time being responsible for matters relating to Veterinary services as May from time be required.
- If he thinks Fit impose Conditions on the use of any Expenditure Authorized by him or on his behalf and may impose any responsible Prohibition, Restriction or other Requirement Concerning such use of Expenditure.
- Cause to be kept all proper Books of Accounts and other Books and Records relating to the Fund and to all the various Activities and undertakings Financed by the Fund.
- Prepare, sign and transmit to the Auditor-General, in respect of each Financial year and within four months after the fund in such form as the treasury may from time to time direct in accordance with section 18 (2) of the Act.

The Director's accept responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Legal Notice No. 109 of the Exchequer and audit Act Cap. 412. The director's of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date. The Director further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Management to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Veterinary Services Development Fund (VSDF) financial statements were approved on

22/12/ 2021 and signed by:

Sign.....

Mr. Harry Kimtai
Accounting Officer



REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON VETERINARY SERVICES DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Veterinary Services Development Fund set out on pages 1 to 21, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of

changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Veterinary Services Development Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Property, Plant and Equipment

The statement of financial position as at 30 June, 2021 reflects property, plant and equipment balance of Kshs.25,749,262 and as disclosed under Note 12 to the financial statements. However, detailed analysis of individual assets costs, accumulated depreciation and net book value under the various classes of assets was not provided for audit.

Consequently, the accuracy and completeness of the property, plant and equipment balance of Kshs.25,749,262 as at 30 June, 2021 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Veterinary Services Development Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my Qualified Opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. No Enterprise-Wide Risk Management (ERM) in Place

As previously reported, there was no documented enterprise-wide risk management process and policies in place during the year under review to effectively guide the enterprises risk management processes at large.

2. Lack of Internal Audit Function and Audit Committee

The Fund does not have an Internal Audit function and Audit Committee to review/appraise its existing internal controls, with a view to enhancing the Fund's operational efficiency, governance and compliance. In addition, it lacks an internal audit manual and charters to guide the Internal Audit function and operations. Although the Management has explained that the fund relies on the Internal Audit Unit of the State Department of Livestock, no internal audit reports on the fund's operations were provided for audit review.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the ability of Veterinary Services Development Fund to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to terminate the Fund or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Fund monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit

the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Veterinary Services Development Fund policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Veterinary Services Development Fund to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Veterinary Services Development Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 January, 2022

Veterinary Services Development Fund
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11. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

| | | | RESTATED | AUDITED |
|--|-------|-------------------|-------------------|-------------------|
| | Notes | 2020-2021 | 2019-2020 | 2019-2020 |
| | | Kshs | | Kshs |
| Revenue from non-exchange transactions | | - | | - |
| Revenue from exchange transactions | | | | |
| Rendering of services | 4 | 90,454,814 | 90,838,187 | 90,838,187 |
| Other income | | - | - | - |
| Total revenue | | 90,454,814 | 90,838,187 | 90,838,187 |
| Expenses | | | | |
| Opening Inventory | | | | 4,287,785 |
| Use of goods and services | 5 | 42,263,782 | 23,914,522 | 29,470,737 |
| Employee costs | 6 | 20,902,560 | 17,324,613 | 17,324,613 |
| Depreciation and amortization expense | 7/12 | 5,361,536 | 5,423,996 | 5,423,996 |
| Repairs and maintenance | 8 | 3,070,027 | 3,457,172 | 3,457,172 |
| Closing Inventory | | | | -9,844,000 |
| Total expenses | | 71,597,905 | 50,120,303 | 50,120,303 |
| Other gains/(losses) | | | | |
| Impairment loss | | (-) | | (-) |
| Surplus before tax | | 18,856,910 | 40,717,884 | 40,717,884 |
| Taxation | | (-) | (-) | (-) |
| Surplus/(deficit) for the period/year | | 18,856,910 | 40,717,884 | 40,717,884 |
| Remission to National Treasury | | - | - | - |
| Net Surplus for the year | | 18,856,910 | 40,717,884 | 40,717,884 |

Sign:.....

CPA Stanley Mwaura

M/No 7121
 Accountant

Date: 21/12/2021

Sign:.....

Dr. Peter Mungathia

Fund Manager

Date: 21/12/2021

Sign:.....

Mr. Harry Kimtai

Accounting Officer

Date: 21/12/2021



Veterinary Services Development Fund
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12. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

| | | | RESTATED | AUDITED |
|--|-------|--------------------|--------------------|--------------------|
| | Notes | 2020-2021 | 2019-2020 | 2019-2020 |
| | | Kshs | Kshs | Kshs |
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | 9 | 139,617,130 | 120,219,026 | 120,219,026 |
| Receivables from non-exchange transactions | 10 | 895,740 | 295,122 | 295,122 |
| Inventories | 11 | 9,168,383 | 9,844,000 | 9,844,000 |
| Total Current Assets | | 149,681,253 | 130,358,148 | 130,358,148 |
| Non-Current Assets | | | | |
| Property, plant and equipment | 12 | 25,749,262 | 26,215,457 | 26,215,457 |
| Total Non- Current Assets | | 25,749,262 | 26,215,457 | 26,215,457 |
| Total Assets | | 175,430,515 | 156,573,605 | 156,573,605 |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Trade and other payables | | - | - | - |
| Total Current Liabilities | | - | - | - |
| Non-Current Liabilities | | | | |
| Total Non- Current Liabilities | | - | - | - |
| Total Liabilities | | - | - | - |
| Net assets | | | | |
| Reserves | | - | - | 115,835,721 |
| Accumulated surplus | | 175,410,515 | 156,553,606 | 40,717,884 |
| Capital Fund | | 20,000 | 20,000 | 20,000 |
| Total Net Assets | | 175,430,515 | 156,573,605 | 156,573,605 |
| Total Net Assets and Liabilities | | 175,430,515 | 156,573,605 | 156,573,605 |

Sign: 

CPA Stanley Mwaura

M/No 7121
 Accountant

Date: 21/12/2021

Sign: 

Dr. Peter Mungathia

Fund Manager

Date: 8/12/2021

Sign: 

Mr. Harry Kimtai

Accounting Officer

Date: 21/12/2021

13. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2021

| | notes | Ordinary share capital | Retained earnings | Accumulated reserves | Proposed dividends | Capital/ Development Grants/Fund | Total |
|-------------------------------|-------|---------------------------|----------------------|-------------------------|-----------------------|--|-------------|
| As at July 1, 2019 | | - | 115,835,721 | | - | 20,000 | 115,855,721 |
| Surplus/ Deficit for the year | | - | 40,717,884 | | - | - | 40,717,884 |
| As at June 30, 2020 | | - | 156,553,605 | | - | 20,000 | 156,573,605 |
| | | | | | | | |
| As at July 1, 2020 | | - | 156,553,605 | | - | 20,000 | 156,573,605 |
| Surplus/ deficit for the year | | - | 18,856,910 | | - | - | 18,931,910 |
| As at June 30, 2021 | | - | 175,410,515 | | - | 20,000 | 175,430,515 |

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14. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

| | | | RESTATED | AUDITED |
|--|-------|--------------------|--------------------|--------------------|
| | | 2020-2021 | 2019-2020 | 2019-2020 |
| | Notes | Kshs | Kshs | Kshs |
| Cash flows from operating activities | | | | |
| Receipts | | | | |
| Transfers from other governments entities | | - | - | |
| Rendering of services | 4 | 90,454,814 | 90,838,187 | |
| Total Receipts | | 90,454,814 | 90,838,187 | |
| Payments | | | | |
| Use of goods and services | 5 | 42,263,782 | 23,914,522 | |
| Employee costs | 6 | 20,902,560 | 17,324,613 | |
| Repairs and maintenance | 8 | 3,070,027 | 3,457,172 | |
| Total Payments | | 66,236,369 | 44,696,307 | |
| Decrease/(Increase) in Accounts receivables | | -600,618 | -295,122 | |
| Decrease/(Increase) in Inventory | | 675,617 | -5,556,215 | |
| Net cash flows from/(used in) operating activities | 13 | 24,293,444 | 40,290,543 | 40,290,543 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant, equipment and other Assets 16.13 | | (4,895,341) | (1,987,721) | (1,987,721) |
| Sale of investments | | - | - | |
| Net cash flows from/(used in) investing activities | | (4,895,341) | (1,987,721) | 38,302,822 |
| Cash flows from financing activities | | | | |
| Increase in capital funds | | - | - | |
| Net cash flows from /(used in) financing activities | | - | - | |
| Net increase/(decrease) in cash and cash equivalents | | 19,398,103 | 38,302,822 | 38,302,822 |
| Cash and cash equivalents at 1 JULY | 9 | 120,219,026 | 81,916,204 | 81,916,204 |
| Cash and cash equivalents at 30 JUNE | 9 | 139,617,130 | 120,219,026 | 120,219,026 |

Sign:.....

CPA Stanley Mwarira

M/No 7121
 Accountant

Date: 21/12/2021

Sign:.....

Dr. Peter Mungathia

Fund Manager

Date: 21/12/2021

Sign:.....

Mr. Harry Kimtai

Accounting Officer

Date: 21/12/2021

15. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % of utilisation |
|--|----------------------|-------------|-------------------|----------------------------|------------------------|------------------|
| | Kshs | Kshs | Kshs | Kshs | Kshs | |
| Revenue | A | b | C=(a+b) | d | e=(c-d) | F=d/c |
| Animal Reproductive Services | 12,000,000 | 0 | 12,000,000 | 16,607,513 | -4,607,513 | 1.38 |
| Veterinary Public Health | 30,000,000 | 0 | 30,000,000 | 35,726,216 | -5,726,216 | 1.19 |
| Hides And Skins | 4,000,000 | 0 | 4,000,000 | 1,642,687 | 2,357,313 | 0.41 |
| Disease surveillance, Risk mgt controls | 22,000,000 | 0 | 22,000,000 | 28,657,744 | -6,657,744 | 1.30 |
| Diagnostic Services | 6,000,000 | 0 | 6,000,000 | 4,485,744 | 1,514,256 | 0.75 |
| Veterinary diagnostic & Efficacy Trial centres | 6,000,000 | 0 | 6,000,000 | 3,334,910 | 2,665,090 | 0.56 |
| Total income | 80,000,000.00 | 0.00 | 80,000,000 | 90,454,814 | -10,454,814 | 1.13 |
| Expenses | | | | | | |
| Use of Goods and Services | 44,869,659 | 0 | 44,869,659 | 42,263,782 | 2,605,877 | 0.9 |
| Employee Costs | 26,185,000 | 0 | 26,185,000 | 20,902,560 | 5,282,440 | 0.8 |
| Repair and Maintenance | 4,050,000 | 0 | 4,050,000 | 3,070,027 | 979,973 | 0.8 |
| Purchase of office furniture and equipments | 4,895,341 | 0 | 4,895,341 | 4,895,341 | - | 1 |
| Depreciation and Amortisation | - | 0 | - | 5,361,536 | - 5,326,536 | |
| Total expenditure | 80,000,000 | 0 | 80,000,000 | 76,493,246 | 3,581,755 | |
| Surplus for the period | | 0 | 0 | 13,961,568 | 0 | |

Budget notes

1. REVENUE

The explanation of material variance in revenue collection by the Directorate of Veterinary Services (DVS) is as follows: -

- The services offered by the Directorate of Veterinary Services are on demand and therefore the projections provided are only estimates based on the previous performance. This therefore makes it difficult to estimate the services to be offered and revenue generated.
- The Directorate increased the surveillance and monitoring of revenue collection at the point of collection. This was through frequent visits and provision to officers with requisite materials (stationeries, computers) for proper record keeping.
- Sensitization of the staff on prompt revenue collection and surrender

2. BUDGET UNDER EXPENDITURE

- Some activities planned during the period under review were not undertaken and deferred to FY 2019/2020 due to livestock disease outbreaks and the Covid 19.
- Outbreak of Covid 19 led to restriction of movement of staff in and out of counties as well as outside the country and hence planned programme in such areas could not be implemented.

16. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Veterinary Services Development Fund is established by and derives its authority and accountability from the Legal Notice No. 109 of the Exchequer and audit Act Cap. 412. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to prevent and control of animal diseases and pests to safeguard human health.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Notes of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity.

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**Veterinary Services Development Fund
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Summary of Significant Accounting Policies

- a) Revenue recognition
- i) Revenue from non-exchange transactions

Fees.

The entity recognizes revenues from fees, when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue.

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

- b) Budget information

The original budget for FY 2020-2021 was approved by the National Assembly and no Subsequent revisions or additional appropriations were made to the approved budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

**Veterinary Services Development Fund
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

e) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

f) Accounting policy.

The Entity uses Reducing Balance Method of depreciation with the following depreciation rates for various Assets.

| | |
|------------------------|-------|
| Motor Vehicles | 25% |
| Furniture and Fittings | 12.5% |
| Computers | 30% |
| Plant and Equipment | 12.5% |

g) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Kenya Commercial Bank of Kenya at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

i) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

j) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

4. Rendering of Services

| Description | 2020-2021 | 2019-2020 |
|---|-------------------|-------------------|
| | KShs | KShs |
| Animal Reproductive Services | 16,607,513 | 12,251,996 |
| Veterinary Public Health | 35,726,216 | 45,047,322 |
| Hides And Skins | 1,642,687 | 913,854 |
| Disease surveillance, Risk mgt controls | 28,657,744 | 26,603,833 |
| Diagnostic Services | 4,485,744 | 1,241,234 |
| Veterinary diagnostic & Efficacy Trial centres | 3,334,910 | 4,779,948 |
| Total revenue from the rendering of services | 90,454,814 | 90,838,187 |

5. Use of Goods and Services

| Description | 2020-2021 | RESTATED 2019-2020 | AUDITED 2019-2020 |
|--|-------------------|-----------------------|----------------------|
| | KShs | KShs | KShs |
| Advertising and printing | 741,786 | 803,180 | 803,180 |
| Hospitality Supplies | 1,845,000 | 986,121 | 986,121 |
| Fuel and oil | 6,745,884 | 3,984,268 | 3,984,268 |
| Office and General Supplies | 5,240,117 | 7,292,880 | 7,292,880 |
| Other operating expenses | 500,570 | 482,767 | 482,767 |
| Bank Charges | 40,785 | 30,213 | 30,213 |
| Telecommunication | 945,000 | 360,000 | 360,000 |
| Training | 6,270,000 | 4,461,402 | 4,461,402 |
| Specialized materials | 17,110,000 | 5,513,691 | 11,069,906 |
| ICT networking and communications | 2,824,640 | - | - |
| Total Use of Goods and Services | 42,263,782 | 23,914,522 | 29,470,737 |

During the financial year ended 30th June 2020 an amount of Kshs. 5,556,215 was erroneously accounted for in both the inventory list and expenditure schedule. This has so far been corrected as per the restated figure in the above note.

6. Employee Costs

| | 2020-2021 | 2019-2020 |
|---|-------------------|-------------------|
| | KShs | KShs |
| Salaries and wages | - | - |
| Travel, motor car, accommodation, subsistence, and other allowances | 20,902,560 | 17,324,613 |
| Other employee related costs * | - | - |
| Employee costs | 20,902,560 | 17,324,613 |



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Depreciation and Amortization Expense

| Description | 2020-2021 | 2019-2020 |
|--|------------------|------------------|
| | KShs | KShs |
| Property, plant and equipment | 5,361,536 | 5,423,996 |
| Intangible assets | - | - |
| Total depreciation and amortization | 5,361,536 | 5,423,996 |

8. Repairs and Maintenance

| Description | 2020-2021 | 2019-2020 |
|---------------------------------------|------------------|------------------|
| | KShs | KShs |
| Property | 200,000 | 781,472 |
| Investment property – earning rentals | - | - |
| Equipment and machinery | 200,000 | 200,000 |
| Vehicles | 2,040,027 | 2,475,700 |
| Furniture and fittings | - | - |
| Computers and accessories | - | - |
| Others | 630,000 | - |
| Total repairs and maintenance | 3,070,027 | 3,457,172 |

9. (a) Cash and Cash Equivalents

| Description | 2020-2021 | 2019-2020 |
|--|--------------------|--------------------|
| | KShs | KShs |
| Current account | 139,617,130 | 120,219,026 |
| Savings account | - | - |
| Others(specify) | - | - |
| Total cash and cash equivalents | 139,617,130 | 120,219,026 |



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. (b) Detailed Analysis of the Cash and Cash Equivalents

| | | 2020-2021 | 2019-2020 |
|------------------------------|-----------------------|--------------------|--------------------|
| Financial institution | Account number | KShs | KShs |
| a) Current account | | | |
| Kenya Commercial bank | 1106972791 | 139,617,130 | 120,219,026 |
| Sub- total | | - | - |
| Sub- total | | - | - |
| b) Others(specify) | | | |
| Cash in transit | | - | - |
| cash in hand | | - | - |
| Mobile money accounts | | - | - |
| Sub- total | | 139,617,130 | 120,219,026 |
| Grand total | | 139,617,130 | 120,219,026 |

10. Receivables from Non-Exchange Transactions

| Description | 2020-2021 | 2019-2020 |
|----------------------------------|----------------|----------------|
| | KShs | KShs |
| Advances/Unsurrendered Imprests | 895,740 | 295,122 |
| Less: impairment allowance | (-) | (-) |
| Total current receivables | 895,740 | 295,122 |

11. Inventories

| Description | 2020-2021 | 2019-2020 |
|--|------------------|------------------|
| | KShs | KShs |
| Consumable stores | 9,168,383 | 9,844,000 |
| Less: Allowance for impairment | (-) | (-) |
| Total inventories at the lower of cost and net realizable value | 9,168,383 | 9,844,000 |



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Property, Plant and Equipment

| Cost | Motor vehicles (25%) Shs | Furniture and fittings (12.5%) Shs | Computers (30%) Shs | Plant and Equipment(12.5%) Shs | Total Shs |
|------------------------------------|--------------------------------|--|---------------------------|--------------------------------------|---------------|
| As at 1 July 2019 | 51,602,160 | 3,728,602 | 16,028,501 | 72,325,436 | 143,684,699 |
| Additions | 0 | 730,000 | 1,257,721 | 0 | 1,987,721 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| As at 30 th June 2020 | 51,602,160 | 4,458,602 | 17,286,222 | 72,325,436 | 145,672,420 |
| Additions | 0 | 302,300 | 2,285,641 | 2,307,400 | 4,895,341 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| As at 30 th June 2021 | 51,602,160 | 4,760,902 | 19,571,863 | 74,632,836 | 150,467,761 |
| Depreciation and impairment | | | | | |
| At 1 July 2019 | (44,505,564) | (2,763,193) | (13,960,566) | (52,803,644) | (114,032,967) |
| Depreciation | (1,774,149) | (211,926) | (997,697) | (2,440,224) | (5,423,996) |
| Transfers/ Adjustments | 0 | 0 | 0 | 0 | 0 |
| As at 30 June 2020 | (46,279,713) | (2,975,119) | (14,958,263) | (55,243,868) | (119,456,963) |
| Depreciation | 1,330,612 | 223,223 | 1,384,080 | 2,423,621 | 5,361,536 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| As at 30 th June 2021 | (47,610,325) | (3,198,342) | (16,342,343) | (57,667,489) | (124,818,499) |
| Net book values | | | | | |
| As at 30 th June 2021 | 3,991,835 | 1,562,560 | 3,229,520 | 16,965,347 | 25,749,262 |
| As at 30 th June 2020 | 5,322,447 | 1,483,483 | 2,327,959 | 17,081,568 | 26,215,457 |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Cash Generated from Operations

| | 2020-2021 | 2019-2020 |
|--|-------------------|-------------------|
| | KShs | KShs |
| Surplus for the year before tax | 18,856,910 | 40,717,884 |
| Adjusted for: | | |
| Depreciation | 5,361,536 | 5,423,996 |
| Non-cash grants received | (-) | (-) |
| Working Capital adjustments | | |
| Increase in inventory | 675,617 | 5,556,215 |
| Increase in receivables | (600,618) | (295,122) |
| Increase in payables | - | - |
| Increase in payments received in advance | - | - |
| Net cash flow from operating activities | 24,293,445 | 40,290,543 |

14. RESERVES

| Description | 2020-2021 | 2019-2020 |
|----------------------|--------------------|--------------------|
| | KShs | KShs |
| Accumulated Surplus | 156,573,605 | 115,855,721 |
| Surplus for the Year | 18,856,910 | 40,717,884 |
| Totals | 175,430,515 | 156,573,605 |



NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks. The entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The entity's financial risk management objectives and policies are detailed below:

i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii) Market risk

The entity has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments

iv) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the entity's ability to continue as a going concern.

15. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the Veterinary Services Development Fund.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Other related parties include:

- i) Ministry of Agriculture, livestock, Fisheries and Cooperatives.

16. Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. During the year the fund didn't remit anything into the consolidated fund.

17. Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

18. Ultimate and Holding Entity

The entity is a Semi- Autonomous Government Agency under the Ministry of Agriculture, Livestock, Fisheries and Cooperatives. Its ultimate parent is the Government of Kenya.

19. Currency

The financial statements are presented in and to the nearest Kenya Shillings (Kshs).



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APPENDIX

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|--|---|--|---|
| VSDF/Audit 2019/2020 | Lack of fixed Assets Register | The management is in process of compiling the Assets register | Accountant | Not Resolved |
| VSDF/Audit 2019/2020 | Internal control and governance issues | The management has allocated funds to solve part of issue reported while other issues will be sorted later by relevant authority | DVS | Not resolved |
| VSDF/Audit 2019/2020 | Systems access rights and Joint inspections in border posts and production of inspection reports in the border posts which are not comprehensive due to lack of system access. | Kenya Trade Network Agency is yet to provide the cargo release module which will ease of doing business. | DVS | Not resolved |
| VSDF/Audit 2019/2020 | Understaffing in the border posts. | Directorate of Veterinary Services through the office of Principal Secretary- SDL has so far recruited staffs and posted to various border posts on priority basis. | DVS | resolved |



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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|---|--|--|---|
| VSDF/Audit 2019/2020 | Lack of equipment/worki ng tools. | An AIE has been issued to the stations which they will use to acquire some equipment and tools. The fund has also procured some motor bikes which have been distributed to these stations. | Fund Manager | resolved |
| VSDF/Audit 2019/2020 | No Elaborate Enterprise wide Risk Management (ERM) in place | The management is in consultation on the way forward. | Fund Manager | Not resolved |
| VSDF/Audit 2019/2020 | Lack of internal Audit Function | The fund it utilizes the services of internal audit function at the State Department of Livestock office. | Fund Manager | resolved |
| VSDF/Audit 2019/2020 | Systems access rights and Joint inspections | Kentrade is yet to provide the cargo release module for use at the border post. When this module is availed, the activities at the headquarters and border post will be linked and therefore the officers will have access to the system | DVS | Not resolved |
| VSDF/Audit/2 018/2019 | Border posts underfunding/Bu dget cuts/Lack of Equipment and tools. | An AIE has been allocated to the stations to boost their funding and acquisition of some tools and equipments. Also the fund has some | DVS | Not resolved |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|---|--------------------------------------|--|--|
| | | motor bikes for ease of movement. | | |

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Sign.....
Dr. Peter Mung'athia
Fund Manager.

Date.....

